

IMPLEMENTATION TEAM CONFERENCE CALL NOTES

August 19, 2002, 3:00 p.m. – 6:00 p.m.

**NATIONAL MARINE FISHERIES SERVICE OFFICES
PORTLAND, OREGON**

I. Greetings, Introductions and Review of the Agenda.

The August 19, 2002 Implementation Team conference call was chaired by Jim Ruff of NMFS and facilitated by Donna Silverberg. The meeting list of attendees is attached as Enclosure A.

The following is a distillation (not a verbatim transcript) of items discussed at the meeting, together with actions taken on those items.

II. Issue Raised From TMT Regarding October Spill Test at The Dalles.

At its August 15 meeting, the Technical Management Team elevated the following issue for IT resolution:

Is the reduction in spill during the BiOp spill planning period (August) in exchange for spill to conduct a test in October at The Dalles Dam a reasonable and rational alternative?

This question was discussed at an IT/TMT conference call on August 16, but no decision was reached at that time. It was agreed to reconvene the IT and TMT today, when more representatives could be present. The group briefly reviewed the written materials sent out in advance of today's meeting, beginning with a letter outlining BPA's financial situation and the public process surrounding the agency's anticipated \$1 billion shortfall in meeting expenses over the next four years.

Suzanne Cooper noted that, given BPA's financial situation, the requested October spill operation at The Dalles must be revenue-neutral. Bill Tweit noted that the 2001 action plan for fish in response to the power system emergency specifically references the need to mitigate for the lack of spill in 2001. We have all agreed that this type of action has the potential to be designated as mitigation, he said; we want to get something in writing from BPA stating why 2001 mitigation funds are not available for the October 2002 spill test at The Dalles, and why this operation has to be revenue-neutral.

Tony Nigro said his understanding was that BPA had budgeted over \$11 million to mitigate for the effects of the power system emergency in 2001; according to ODFW's accounting, BPA has spent just over half of that amount to date. Our hope is that BPA would use some of those remaining funds to pay for the cost of spill associated with the October test, he said. If BPA has unilaterally reprogrammed the remainder of the money they set aside for mitigation for the 2001 power system emergency, we would be extremely interested in knowing where that money has gone, Nigro said.

That has all been factored in to our financial analysis, Cooper said; that analysis does not include additional funds for mitigation for the 2001 operation. In 2001, BPA solicited proposals for immediate implementation associated with the action plan last May, added Bill Maslen; there was not a specific dollar amount committed. It was a voluntary effort on BPA's part to make conditions better than they would have otherwise, he said. There were various criteria associated with that solicitation, he said, and actions that did not meet those criteria were not implemented. There was no explicit dollar amount designated for that effort, Maslen reiterated.

Clearly mitigation did not proceed precisely as BPA envisioned, said Bill Tweit; to us, the timing of mitigation is less important than mitigating for the detrimental effects of the 2001 power system emergency on fish. Maslen asked how, in the salmon managers' view, spill now and in October would offset the effects of last year's power emergency operation?

We understand that BPA funding is tight right now, said Tweit; we understand that revenue neutrality is important to BPA. However, we were under the impression that BPA had budgeted for up to \$10 million for projects that would mitigate for the 2001 operation, he said. System mortality was higher than anticipated, pre-season, in 2001, Tweit said; our understanding is that there is still some money there, money that had already been budgeted by BPA for this purpose.

We were prepared to spend up to that amount for projects that were found to be implementable in the time-frame originally designated, Maslen replied; we have implemented those projects that were implementable. This has to do with projects that met the criteria of the original solicitation, he said, not that BPA was committing to spend that specific amount.

Still, our understanding is that there at least \$2.5 million of the original \$10 million that has not yet been spent, said Nigro; what we're requesting is a written statement from BPA saying that money has been reprogrammed. If it has not been reprogrammed, Nigro said, then we believe it could be used legitimately to make this proposed spill test revenue-neutral.

Dan Daley replied that BPA could not reprogram money if it was never programmed in the first place. We put out a solicitation for proposals that met specific criteria, one of which was that the proposals provide water in the water year in which the damage occurred, he said. We received about \$10 million in proposals, he said, but a number of those proposals did not meet the criteria we established. We funded only those proposals that met the criteria, said Daley; we couldn't reprogram the remaining money, because that money was never there in the first place. We offered an amount for mitigation after we saw the number of proposals that met the criteria, Daley explained; I'm not sure why it's so important that we explain that in writing now.

Nigro replied that he still wasn't sure of the point Daley was making; you said you were prepared to spend \$10 million on mitigation projects, he said, but only \$7 million worth of projects actually met the criteria. It wasn't our intent to continue funding mitigation projects for the 2001 operation two or three years in the future, said Daley; that was clearly laid out in the solicitation.

When we initially selected proposals we thought would meet the criteria, they totaled about \$10 million, said Cooper. However, when some of those proposals turned out not to meet the criteria, they fell off the table. The money was not reprogrammed, she said; we funded the projects that we could. To me, that is a form of reprogramming, said Nigro. We recognize 2001 was a bad year, said Maslen; we were trying to make a bad condition better by implementing those proposals we could in 2001.

What I'm hearing BPA say, quite clearly, is that BPA did not plan for the October spill test at The Dalles, and does not have money available to pay for it, said Silverberg. I have also heard that it is a high priority for the region to move forward with the spill test this year, she said. If there is a need for written documentation, said Silverberg, I suggest that you make a specific written request to the action agencies, but for the purposes of today's discussion, I suggest that we focus now on how to get the test implemented in 2002. Time is of the essence, she said; energy prices are fluctuating, and we have already lost a couple of days of swappable spill at John Day Dam.

The group then turned its attention to the spreadsheet provided by BPA on the value of August spill vs. the value of October spill. It was observed that the current market price is about \$17.50 per MW-hour. We're willing to lock in at that price, said Cooper, as well as the forecasted \$27 per MW-hour price of energy in October, if the salmon managers are willing to agree on the specifics of a revenue-neutral spill swap at today's meeting. If we want to weigh price risk, which will fall on BPA, NMFS needs to assess the biological risk, she said. Tweit replied that the salmon managers are assuming the biological risk, but will feel foolish if the price of energy turns out to be \$20 per MW-hour in October, rather than \$27.

We're trying to compare estimated value vs. estimated cost, said Nigro; this picture would be a lot different if the cost of energy is only \$20 per MW-hour in October. I'm not prepared to talk about biological risk until we talk about the uncertainty associated with the \$27 per MW-hour number, he said, because that is a \$10 per MW-hour difference between today's price and October's price. The only thing that would cause the October price to vary significantly from the \$27 forecast is that if flows were exceptionally low or exceptionally high in October,

Cooper replied – we think it's a pretty solid estimate. In response to a request, Cooper said she would try to provide additional details about the error bounds associated with BPA's price forecast modeling later in today's meeting.

One option is to drop the high-flow component of The Dalles test, thereby reducing the cost of the October test, said Ruff – are people comfortable with that option? Rock Peters replied that, in October, testing at a 4 Kcfs and a 12 Kcfs spill level -- the low-spill and medium-spill blocks -- would provide some very valuable information; the high-spill test probably wouldn't make sense given the low tailwater condition. Gary Fredricks noted that the total spill volume of the low and medium spill tests (4 Kcfs and 12 Kcfs) is approximately 3,180 Kcfs.

Ruff noted that if changes are made in the John Day and Bonneville dam spill programs today, that would save BPA \$521,000, well in excess of the \$450,000 the low- and medium-spill tests are expected to cost in October, given the energy price information presented today. We could even keep the John Day test going for another couple of days, Cooper observed, and the October test would then be revenue-neutral. In other words, said Ruff, we would need to curtail day spill at John Day Dam for only four days.

Could we consider zero daytime spill at John Day and 40% spill at night? Nigro asked. We would lose about 20% in daily FPE if we go from 24-hour spill to 12-hour spill at John Day, Fredricks observed. If we go to 40% spill at night, he said, we would probably pass most of the fish that would have passed during the day if 30% spill was provided. Actually, if we go to zero daytime spill and 45% spill at night through the end of the month at John Day, that would likely be an optimal biological option, in terms of providing maximum biological benefit while still keeping the October spill program revenue-neutral, said Ruff.

The discussion returned to the confidence intervals around the \$27 per MW-hour estimate for October energy prices. My concern, said Nigro, is not that BPA should make money, but that they shouldn't make it off the backs of the fish – if the October spill test costs less than is being estimated now, we would prefer to see spill occur such that the operation truly is revenue-neutral. Cooper said that there is an \$8-each-way confidence interval around the \$27 estimate (from \$19 per MW-hour to \$35 per MW-hour). Essentially, said Ruff, if October energy prices go up, the risk falls on BPA; if October prices are less than expected, the risk falls on fish.

Scott Bettin observed that it might be possible to adjust the spill operation at John Day toward the end of August if prices change dramatically. Nigro replied that he would prefer to set the operation now and stick to it. Bob Heinith said CRITFC questions the wisdom of ending the daytime spill test at John Day Dam; that is important information on the tail of the run, he said. Fredricks replied that the subyearling portion of the John Day test is now over; the remainder of the data gathered at John Day if daytime spill continues would have to do with adult fallback. That is important information, given the fact that we have hundreds of thousands of adult fall chinook heading upriver, currently, said Heinith. It seems to CRITFC that BPA ought to step up to the plate and fund the October spill test, Heinith said -- I hate to sacrifice the information we would be gaining from these ongoing studies.

My sense is that we either fashion an agreement today, or the October spill test doesn't happen this year, said Silverberg. We have also heard that BPA simply can't suck it up and pay for the October test, Silverberg said. I understand the frustration everyone feels, she said; I'm sure, however, that BPA staff isn't very happy about having to deliver that message.

The Dalles has the lowest juvenile fish survival of any dam in the FCRPS, said Ruff; improving that survival it is a very high priority for us. We're talking about trading off a couple of spill blocks at John Day Dam now in exchange for improved survival at The Dalles later that would yield very significant improvement in overall system survival, he said. Rock Peters added that, in his opinion, the researchers will collect very solid adult fallback information at John Day Dam both this summer and next year, even in the absence of the full daytime spill program planned at John Day.

The group also discussed the option of ending daytime spill at Ice Harbor, and applying that volume to allow daytime spill to continue at John Day.

What about the gas waiver issue for the October test at The Dalles? Cooper asked. The waiver is a formality, in NMFS' opinion, based on our discussions with ODEQ and WDOE, Ruff replied. Cathy Hlebechuk said the Corps will be hand-carrying its gas waiver requests to ODEQ and WDOE – in other words, the process is moving forward.

Silverberg then asked if the IT participants were supportive of the 2002 October spill test at The Dalles. Tweit said WDFW supports the 3,180 Kcfs spill test at The Dalles this October; Nigro said ODFW supports it; Heinith said CRITFC supports it, with the understanding that CRITFC does not support reducing daytime spill at John Day. David Wills said the Fish and Wildlife Service supports the test; representatives from NMFS, the Corps, Reclamation and BPA said their agencies also recommend that the test proceed in 2002.

Nigro suggested that TMT be asked to consider how to optimize the spill swap at its meeting this Wednesday, given the fact that the IT has endorsed the spill swap in principle. Cooper observed that energy prices could change again between now and Wednesday; if we don't agree on a specific operation today, she said, we can't start selling the energy, and therefore we can't lock in the price of August energy today. We can't hand this off to TMT unless we lock the prices in today, said Tweit; otherwise, it's not a revenue-neutral problem.

If we have all agreed to the swap, said Ruff, why can't we agree to lock in the prices today? Because we can't start selling the energy that would otherwise have been spilled tonight, Cooper replied – we can't get the value, starting tonight.

We could go to 45% spill at John Day tonight, Hlebechuk suggested -- if the price of energy drops between now and Wednesday, it will take more August spill to offset the October spill program, and you will have fewer days in which to accomplish that offset. Deferring this decision works against us, not for us, Paul Wagner observed.

The discussion continued in this vein for some minutes. Ultimately, Ruff made the following proposal: include the spill changes at Bonneville Dam, end daytime spill at John Day

Dam and go to 45% nighttime spill at John Day, beginning tonight and running through the end of August. Does anyone have serious objections to that proposal? Silverberg asked. CRITFC does not support reducing the planned daytime spill test at John Day, Heinith replied.

Would there be an opportunity for TMT to further optimize the spill swap, biologically, as long as such changes would be revenue-neutral at the locked-in prices? Silverberg asked. Yes, Cooper replied.

Silverberg polled the IT/TMT membership on Ruff's suggested operation, with the following result: CRITFC preferred to continue the John Day spill test; Oregon preferred to let FPAC develop an operation tomorrow; WDFW, NMFS and the Fish and Wildlife Service supported Ruff's proposed operation, with a curtailed spill test at John Day.

Nigro requested a caucus break to allow the FPAC representatives on today's call to reach agreement on an operation. When the meeting resumed, Ruff said that, speaking for NMFS and the salmon managers, we want to emphasize that this is a one-time-only spill exchange for 2002, because of the need under the 2000 NMFS Biological Opinion for The Dalles spill test and because of BPA's current financial situation. With that, he said that the salmon managers had agreed on the following recommended operation: conduct the spill test at Bonneville Dam and apply the savings through the end of the month, curtail the last two-day block of day spill of the John Day spill test (on August 28-29), and curtail the last week of daytime spill at Ice Harbor, beginning at 6 a.m. August 25. The John Day spill test will continue as planned through August 27. That translates into an August spill savings to BPA greater than the estimated cost of the October spill test at The Dalles, Ruff said.

The group devoted a few minutes to the nuances of the proposed spill swap; ultimately, Bettin said the action agencies are willing to work together to make the swap work, and will lock in the price to be used in calculating the swap at \$17.50 per MW-hour (August). Again, the October price is estimated to be \$27.50 per MW-hour. With that, the meeting was adjourned. Meeting summary prepared by Jeff Kuechle, Bonneville contractor.

IT Conference Call - August 19, 2002

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